

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2014

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# GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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### **Board of Education**

(Before September 2013 Election)

David Zrostlik	President	2015
Tim Tusha	Vice President	2015
Jim Thiele	Board Member	2015
Jack Toppin	Board Member	2013
Jon Gamerdinger	Board Member	2013

(After September 2013 Election)

Jim Thiele	President	2015
Tim Tusha	Vice President	2015
Pamela Roberts	Board Member	2017
Jack Toppin	Board Member	2017
David Zrostlik	Board Member	2015

### **School Officials**

Tyler Williams	Superintendent
Patricia A. Schmidt	District Secretary/Treasurer

Gary E. Horton CPA

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Clarion, IA 50525-0384  
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Independent Auditor's Report

To the Board of Education of  
Garner-Hayfield Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Garner-Hayfield Community School District, Garner, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Garner-Hayfield Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Garner-Hayfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein). Our opinions for 2006-2012 were unqualified. For 2005 and 2004 we expressed unmodified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information and we did not issue an opinion on the discretely presented component unit. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations), is presented for purposes of additional analysis and is not a required part of the basic financial statements

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2015 on our consideration of Garner-Hayfield Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Garner-Hayfield Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

March 31, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Garner-Hayfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,788,121 in fiscal 2013 to \$10,025,897 in fiscal 2014, while General Fund expenditures increased from \$8,766,538 in fiscal 2013 to \$9,717,024 in fiscal 2014. The District's General Fund balance increased from \$939,838 in fiscal 2013 to \$1,260,806 in fiscal 2014, a 34% increase.
- General Fund revenues increases are attributable to an increase in tuition paid to the district, Whole Grade Sharing tuition and an increase in revenue from shared positions: SPED Coordinator, Business Manager, Superintendent, Curriculum Coordinator, and teachers. The increase in expenditures was due primarily to increases in wages due to negotiated settlements, an increase in tuition paid due to whole grade sharing, and purchased services of Ventura CSD teachers (4 positions) and the sharing of the Ventura CSD Transportation Director with our District.
- **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Garner-Hayfield Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Garner-Hayfield Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Garner-Hayfield Community School District acts solely as an agent or custodian for the benefit of those outside of District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Garner-Hayfield Community School District Annual Financial Report**

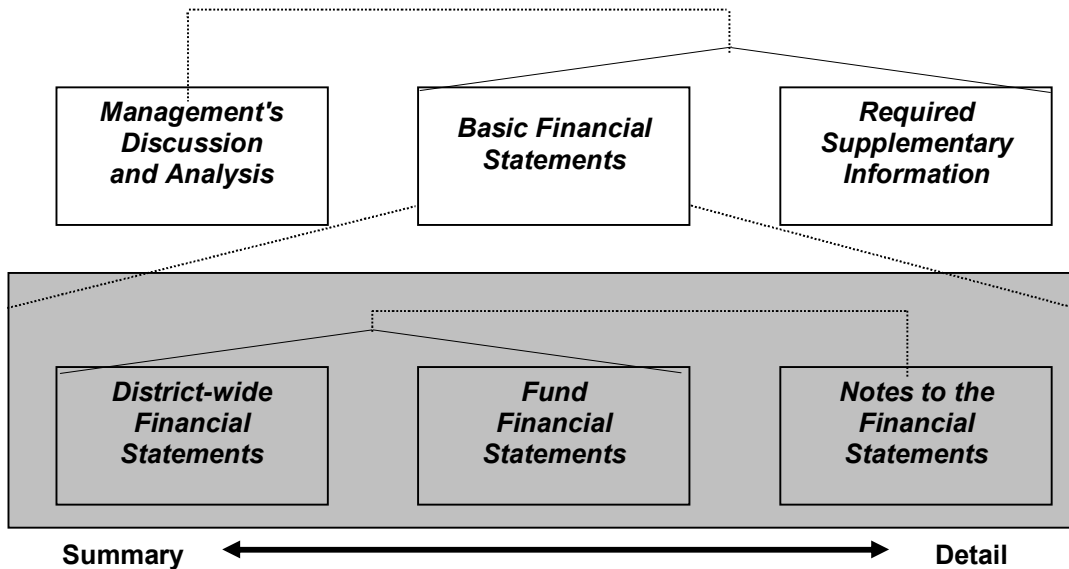


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and the house construction project	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or



decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here as well as the House Construction Fund program.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds that consist of Activity, Management, District Support Trust and Physical Plant and Equipment Levy funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the House Construction Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District current has one internal service fund used to account for the District's partial self-funding insurance program.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund.

- **Private-Purpose Trust Fund .** The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3

	Condensed Statement of Net Position						Percentage Change
	Governmental		Business-type		Total		
	Activities		Activities		School District		
	2013	2014	2013	2014	2013	2014	
	\$	\$	\$	\$	\$	\$	2013-2014 %
Current and other assets	5,723,815	6,446,669	207,563	201,329	5,931,378	6,647,998	12.1%
Capital assets	5,767,198	5,735,970	37,150	33,859	5,804,348	5,769,829	-0.6%
<b>Total assets</b>	<b>11,491,013</b>	<b>12,182,639</b>	<b>244,713</b>	<b>235,188</b>	<b>11,735,726</b>	<b>12,417,827</b>	<b>5.8%</b>
Long-term liabilities	715,436	557,719	1,537	2,182	716,973	559,901	-21.9%
Other liabilities	506,891	472,650	6,711	31,993	513,602	504,643	-1.7%
<b>Total liabilities</b>	<b>1,222,327</b>	<b>1,030,369</b>	<b>8,248</b>	<b>34,175</b>	<b>1,230,575</b>	<b>1,064,544</b>	<b>-13.5%</b>
Deferred inflows of resources	2,489,393	2,444,898	7,674	734	2,497,067	2,445,632	-2.1%
Net Position:							
Investment in capital assets	5,596,868	5,649,588	37,150	33,859	5,634,018	5,683,447	0.9%
Restricted	1,723,349	2,087,037	0	0	1,723,349	2,087,037	21.1%
Unrestricted	459,076	970,747	191,641	166,420	650,717	1,137,167	74.8%
<b>TOTAL NET POSITION</b>	<b>7,779,293</b>	<b>8,707,372</b>	<b>228,791</b>	<b>200,279</b>	<b>8,008,084</b>	<b>8,907,651</b>	<b>11.2%</b>

The District's total net position increased by 11.2%, or \$899,567, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. The biggest items to impact this amount were succeeding year property taxes, delinquent property taxes, and amounts due from other government bodies (tuition, etc.). Investment in capital assets increased by 0.9% due to computer purchases, a new scoreboard and new bleachers at the football/track complex, as well as the purchase of a John Deere tractor, and a new 78 passenger school bus. Long-term liabilities decreased mainly due to payment on the one-to one computers and a decrease in termination benefits.

Unrestricted net position . the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . increased by \$486,450 or 74.8% as a result of revenues exceeding projections and a decrease in construction in progress at year end compared to construction in progress at the end of fiscal year 2012.

Figure A-4 shows the change in net position for the years ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

	Change in Net Position						Percentage Change
	Governmental Activities		Business-type Activities		Total School District		
	2013	2014	2013	2014	2013	2014	
	\$	\$	\$	\$	\$	\$	2013-2014 %
Revenues							
Program Revenues:							
Charges for services	2,345,526	2,454,004	582,282	274,611	2,927,808	2,728,615	-6.8%
Operating grants & contributions	1,284,501	1,508,657	180,802	190,859	1,465,303	1,699,516	15.9%
Capital grants & contributions							
General Revenues:							
Property taxes	2,309,520	2,497,857			2,309,520	2,497,857	8.2%
Income Surtax	373,956	502,064			373,956	502,064	34.3%
Statewide sales tax	651,319	685,151			651,319	685,151	5.2%
Unrestricted state grants	3,421,881	3,979,356			3,421,881	3,979,356	16.3%
Unrestricted investment earnings	12,251	13,926	96	63	12,347	13,989	13.3%
Other revenue	10,545	8,729			10,545	8,729	-17.2%
<b>Total Revenues</b>	<b>10,409,499</b>	<b>11,649,744</b>	<b>763,180</b>	<b>465,533</b>	<b>11,172,679</b>	<b>12,115,277</b>	<b>8.4 %</b>
Expenses:							
Instruction	6,903,845	7,259,077			6,903,845	7,259,077	5.1%
Support services	2,460,375	2,733,420			2,460,375	2,733,420	11.1%
Non-instructional programs	0	0	761,191	484,663	761,191	484,663	-36.3 %
Other expenditures	670,146	738,550			670,146	738,550	10.2%
<b>Total expenses</b>	<b>10,034,366</b>	<b>10,731,047</b>	<b>761,191</b>	<b>484,663</b>	<b>10,795,557</b>	<b>11,215,710</b>	<b>3.9%</b>
Transfers	0	9,382	0	(9,382)	0	0	
<b>CHANGE IN NET POSITION</b>	<b>375,133</b>	<b>928,079</b>	<b>1,989</b>	<b>(28,512)</b>	<b>377,122</b>	<b>899,567</b>	<b>138.5%</b>
Net position beginning of year	7,404,160	7,779,293	226,802	228,791	7,630,962	8,008,084	4.9%
Net position end of year	7,779,293	8,707,372	228,791	200,279	8,008,084	8,907,651	11.2%

In fiscal year 2014 property tax and unrestricted state grants account for 53% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 8.4% increase in revenues and a 3.9% increase in expenses. The Whole Grade Sharing agreement with the Ventura Community School District as well as the sharing of more administrative staff and teachers impacted both the revenues and expenditures. The increases in expenses related to increases in the negotiated salaries and benefit also had an impact on the expenditure side.

### Governmental Activities

Revenues for governmental activities were \$11,649,744 and expenses were \$10,731,047. The increase in revenues allowed the district to increase the ending fund balance in a year when expenditures also increased.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2013	2014	Percent Change 2013-2014	2013	2013	Percent Change 2013-2014
	\$		%	\$	\$	
Instruction	6,903,845	7,259,077	5.1%	4,117,427	3,968,695	3.6%
Support Services	2,460,375	2,733,420	11.1%	1,921,317	2,386,988	24.2%
Other Expenses	670,146	738,550	10.2%	365,595	412,703	12.9%
<b>TOTAL</b>	<b>10,034,366</b>	<b>10,731,047</b>	<b>6.9%</b>	<b>6,404,339</b>	<b>6,768,386</b>	<b>5.7%</b>

For the year ended June 30, 2014

- The cost of all governmental activities this year was \$10,731,047.
- The cost financed by users of the District's programs was \$2,454,004. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,508,657.
- The net cost of governmental activities was financed with \$3,685,072 in property and local other taxes and \$3,979,356 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$465,533 and expenses were \$484,663. The District's business type activities include the School Nutrition Fund and the House Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The increase in revenues and expenditures for 2014 is due to the sale of two student built home in the same fiscal year.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Garner-Hayfield Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,029,495, above last year's ending fund balances of \$2,373,210 with the bulk of the increase in the Capital Projects Fund.

### Governmental Fund Highlights

- The District's General Fund financial position is improving and is the result of many factors. Growth during the year in state funding sources and charges for services resulted in an increase in revenues. The board and administration continually look for ways to provide a quality educational experience to the students of this District in a fiscally responsible manner and the Whole Grade Sharing agreement is an example of this. The Board and Administration is looking at ways to best provide services during times of economic downturns and yet still meet the requirements of No Child Left Behind and other state, federal, and local expectations. The administration of the Garner-Hayfield Community School District feels that our enrollment is stabilizing and the District should not see large swings in either direction in coming years.

- The General Fund balance increased from \$939,838 to \$1,260,806, due in large part the increase in tuition paid to our district from other districts. The increase in revenue experienced by the District also is reflected in this increase.
- The Capital Projects Fund balance increased due to the diligence of the board to set aside monies for a possible renovation of the high school building in the near future. The District ended fiscal 2014 with a balance of \$1,504,762 which will be used for further renovations, equipment purchases, and roof replacements.

### **Proprietary Fund Highlights**

The School Nutrition Fund and the House Construction fund net position decreased from \$228,791 at June 30, 2013 to \$200,279 at June 30, 2014, representing a decrease of 12.5%. Nutrition Fund accounts receivables increased by approximately \$1,635. Efforts continue to be taken to address the negative lunch account balances.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the Garner-Hayfield Community School District receipts were \$1,279,962 more than budgeted receipts, a variance of 11.8%. The most significant variance resulted from the District receiving more in property taxes than originally anticipated as well as the whole grade sharing tuition.

Total expenditures were \$123,806 less than budgeted, due primarily to the negotiated settlements and the tuition paid for our whole grade sharing junior high students at Ventura CSD. The District manages or controls General Fund spending through its line-item budget. The District's certified budget should always exceed actual expenditures for the year and we budget between what we think we will actually spend and the maximum authorized spending authority for the General Fund.

In spite of the District's budgetary practice, the certified budget was exceeded in the instructional and support services functional areas due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2013, the District had invested \$5,769,829 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 0.6% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$440,005.

The largest change in capital asset activity during the year occurred in the furniture and equipment and buildings areas as the previous year's renovations were added in as well as the purchase of a new school bus.

Figure A-6

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
	\$	\$	\$	\$	\$	\$	%
Land	48,803	48,803	0	0	48,803	48,803	0%
Construction in progress	9,400	0	0	0	9,400	0	-100%
Buildings	4,614,923	4,721,007	0	0	4,614,923	4,721,007	2.3%
Improvements	461,848	427,469	0	0	461,848	427,469	-7.4%
Equipment & furniture	632,224	538,691	37,150	33,859	669,374	572,550	-14.5%
<b>TOTAL</b>	<b>5,767,198</b>	<b>5,735,970</b>	<b>37,150</b>	<b>33,859</b>	<b>5,804,348</b>	<b>5,769,829</b>	<b>-0.6%</b>

**Long-Term Debt**

At June 30, 2014 the District had \$559,901 of other long-term debt outstanding. This represents a decrease of approximately 21.9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The early retirement debt decreased by \$107,335 due to the completion of early retirement benefits for some participants and there being no early retirement offered during the 2013-2014 fiscal year.

The District's obligation for compensated absences increased by \$7,783. This change was due to the decrease of staff numbers.

Figure A-7

**Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2013	2014	2013-2014
	\$	\$	%
Governmental activities:			
Capital leases	170,330	86,382	-49.3%
Early retirement	314,605	207,270	-34.1%
Compensated absences	169,038	176,821	4.6%
Net OPEB liability	61,463	87,246	41.9%
Business type activities:			
Net OPEB liability	1,537	2,182	41.9%
	<u>716,973</u>	<u>559,901</u>	<u>-21.9%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's October 2013 enrollment increased by 15.67 students K-12. The District is in the third year of a Whole Grade Sharing Agreement with the Ventura Community School District. The District is in the first year of a sharing agreement for the services of the Transportation Director with the Ventura Community School District that will provide supplemental weighting to our District. The District is sharing the services of our Superintendent with the Ventura Community School District again this year and this will provide supplemental weighting to our District in the future as well as one-half of his salaries and expenses reimbursed by the Ventura Community School District. The district is also sharing the services of the business manager, curriculum coordinator, special education coordinator, and five teachers with the Ventura Community School District. Supplemental weighting will be received for the shared Business Manager position. A portion of the salaries and benefits for the business manager, curriculum coordinator, and special education coordinator will be reimbursed by the Ventura Community School District.
- The District will negotiate a new contract with the Garner-Hayfield Education Association (GHEA) and the Garner-Hayfield Education Services Association (GHESA) during fiscal 2015. Settlements in excess of new money+or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The Garner community continues to grow and the business and manufacturing climate remains strong in our community which gives stability to enrollment in our district. New housing continues to be built in the new subdivision in town.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tyler Williams, Superintendent, or Patricia A. Schmidt, District Secretary/Treasurer and Business Manager, Garner-Hayfield Community School District, 605 Lyon St., Garner, IA 50438.

## BASIC FINANCIAL STATEMENTS



## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total	Garner- Hayfield Community School District Education Foundation
	\$	\$	\$	\$
<b>Assets</b>				
Cash, cash equivalents and pooled investments	3,011,593	31,325	3,042,918	62,998
Investments	-	-	-	990,379
Receivables:				
Property tax:				
Delinquent	20,170	-	20,170	-
Succeeding year	2,444,898	-	2,444,898	-
Accounts	393,314	10,128	403,442	-
Due from other governments	561,694	-	561,694	-
Internal balances	15,000	(15,000)	-	-
Inventories	-	174,876	174,876	-
Capital assets, net of accumulated depreciation	5,735,970	33,859	5,769,829	-
<b>Total assets</b>	<b>12,182,639</b>	<b>235,188</b>	<b>12,417,827</b>	<b>1,053,377</b>
<b>Liabilities</b>				
Accounts payable	329,376	11,993	341,369	-
Salaries and benefits payable	140,769	-	140,769	-
Bank loan payable	-	20,000	20,000	-
Accrued interest payable	2,505	-	2,505	-
Long-term liabilities:				
Portion due within one year:				
Capital lease	86,382	-	86,382	-
Termination benefits	59,060	-	59,060	-
Compensated absences	25,000	-	25,000	-
Portion due after one year:				
Termination benefits	148,210	-	148,210	-
Compensated absences	151,821	-	151,821	-
Net OPEB liability	87,246	2,182	89,428	-
<b>Total liabilities</b>	<b>1,030,369</b>	<b>34,175</b>	<b>1,064,544</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable property tax revenue	2,444,898	-	2,444,898	-
Other	-	734	734	-
	<b>2,444,898</b>	<b>734</b>	<b>2,445,632</b>	<b>-</b>

See notes to financial statements.

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total	Garner- Hayfield Community School District Education Foundation
	\$	\$	\$	\$
<b>Net position</b>				
Net investment in capital assets	5,649,588	33,859	5,683,447	-
Restricted for:				
Endowment by donors	-	-	-	990,379
Categorical funding	350,021	-	350,021	-
Physical plant and equipment levy	176,997	-	176,997	-
Student activities	126,745	-	126,745	-
School infrastructure	1,427,323	-	1,427,323	-
Debt service	5,951	-	5,951	-
Unrestricted	970,747	166,420	1,137,167	62,998
<b>Total net position</b>	<u>8,707,372</u>	<u>200,279</u>	<u>8,907,651</u>	<u>1,053,377</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities  
Year ended June 30, 2014

<b>Functions/Programs</b>	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,490,940	1,554,013	871,225	-
Special	1,173,012	248,477	53,409	-
Other	1,595,125	468,370	94,888	-
	<u>7,259,077</u>	<u>2,270,860</u>	<u>1,019,522</u>	<u>-</u>
Support services:				
Student	486,068	-	166,288	-
Instructional staff	316,125	56,691	-	-
Administration	823,717	122,128	-	-
Operation and maintenance of plant	779,837	310	-	-
Transportation	327,673	1,015	-	-
	<u>2,733,420</u>	<u>180,144</u>	<u>166,288</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	133,108	3,000	-	-
Long-term debt interest	2,504	-	-	-
AEA flowthrough	322,847	-	322,847	-
Depreciation (unallocated)*	280,091	-	-	-
	<u>738,550</u>	<u>3,000</u>	<u>322,847</u>	<u>-</u>
Total governmental activities	<u>10,731,047</u>	<u>2,454,004</u>	<u>1,508,657</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	484,663	274,611	190,859	-
Total primary government	<u>11,215,710</u>	<u>2,728,615</u>	<u>1,699,516</u>	<u>-</u>
Component Units				
Garner-Hayfield Community School				
District Education Foundation	24,793	-	150,342	-
Total	<u>11,240,503</u>	<u>2,728,615</u>	<u>1,849,858</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

**Change in net position**

Net position beginning of year  
Net position end of year

\*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(2,065,702)	-	(2,065,702)	-
(871,126)	-	(871,126)	-
(1,031,867)	-	(1,031,867)	-
(3,968,695)	-	(3,968,695)	-
(319,780)	-	(319,780)	-
(259,434)	-	(259,434)	-
(701,589)	-	(701,589)	-
(779,527)	-	(779,527)	-
(326,658)	-	(326,658)	-
(2,386,988)	-	(2,386,988)	-
(130,108)	-	(130,108)	-
(2,504)	-	(2,504)	-
-	-	-	-
(280,091)	-	(280,091)	-
(412,703)	-	(412,703)	-
(6,768,386)	-	(6,768,386)	-
-	(19,193)	(19,193)	-
(6,768,386)	(19,193)	(6,787,579)	-
-	-	-	125,549
(6,768,386)	(19,193)	(6,787,579)	125,549
2,369,590	-	2,369,590	-
128,267	-	128,267	-
502,064	-	502,064	-
685,151	-	685,151	-
3,979,356	-	3,979,356	-
13,926	63	13,989	139,116
8,729	-	8,729	-
7,687,083	63	7,687,146	139,116
9,382	(9,382)	-	-
7,696,465	(9,319)	7,687,146	139,116
928,079	(28,512)	899,567	264,665
7,779,293	228,791	8,008,084	788,712
8,707,372	200,279	8,907,651	1,053,377

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2014

	General	Capital Projects	Nonmajor Government	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash, cash equivalents and pooled investments	1,207,508	1,327,964	243,513	2,778,985
Receivables:				
Property tax:				
Delinquent	17,274	1,063	1,833	20,170
Succeeding year	2,086,907	107,991	250,000	2,444,898
Accounts	343,788	-	29,769	373,557
Interfund receivable	15,000	-	-	15,000
Due from other governments	286,401	275,293	-	561,694
<b>Total assets</b>	<b>3,956,878</b>	<b>1,712,311</b>	<b>525,115</b>	<b>6,194,304</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	318,188	-	11,188	329,376
Salaries and benefits payable	25,488	-	-	25,488
Total liabilities	343,676	-	11,188	354,864
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,086,907	107,991	250,000	2,444,898
Income surtax	265,489	99,558	-	365,047
Total deferred inflows of resources	2,352,396	207,549	250,000	2,809,945
Fund balances:				
Restricted for:				
Categorical funding	350,021	-	-	350,021
Debt service	-	-	8,456	8,456
Management levy	-	-	123,327	123,327
Student activities	-	-	132,144	132,144
School infrastructure	-	1,427,323	-	1,427,323
Physical plant and equipment	-	77,439	-	77,439
Unassigned	910,785	-	-	910,785
Total fund balances	1,260,806	1,504,762	263,927	3,029,495
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>3,956,878</b>	<b>1,712,311</b>	<b>525,115</b>	<b>6,194,304</b>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position

June 30, 2014

\$

<b>Total fund balances of governmental funds (Exhibit C)</b>	3,029,495
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*Amounts reported for governmental activities in the  
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,735,970
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	365,047
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Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(2,505)
--	---------

An internal service fund is used by the District's management to charge the costs health insurance and health insurance deductible reimbursements to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	137,084
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Long-term liabilities, including notes payable, capital leases payable, termination benefits, compensated absences and other postemployment benefits are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.	(557,719)
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<b>Net position of governmental activities (Exhibit A)</b>	<u><u>8,707,372</u></u>
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## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2014

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,481,190	254,797	225,811	2,961,798
Tuition	1,350,862	-	-	1,350,862
Other	706,023	8,253	408,808	1,123,084
State sources	5,163,599	685,216	126	5,848,941
Federal sources	324,223	-	-	324,223
Total revenues	10,025,897	948,266	634,745	11,608,908
Expenditures:				
Current:				
Instruction:				
Regular	4,464,754	-	110,081	4,574,835
Special	1,169,467	-	-	1,169,467
Other	1,207,997	-	392,993	1,600,990
	6,842,218	-	503,074	7,345,292
Support services:				
Student	479,630	-	-	479,630
Instructional staff	233,326	82,477	-	315,803
Administration	800,655	-	13,629	814,284
Operation and maintenance of plant	749,687	-	66,773	816,460
Transportation	288,661	-	17,350	306,011
	2,551,959	82,477	97,752	2,732,188
Other expenditures:				
Facilities acquisition	-	475,504	-	475,504
Long-term debt:				
Principal	-	-	83,948	83,948
Interest and fiscal charges	-	-	4,939	4,939
AEA flowthrough	322,847	-	-	322,847
	322,847	475,504	88,887	887,238
Total expenditures	9,717,024	557,981	689,713	10,964,718
Excess (deficiency) of revenues over (under) expenditures	308,873	390,285	(54,968)	644,190
Other financing sources (uses):				
Sales of equipment	2,713	-	-	2,713
Operating transfers in	9,382	-	88,887	98,269
Operating transfers out	-	(88,887)	-	(88,887)
Total other financing sources (uses)	12,095	(88,887)	88,887	12,095
Change in fund balances	320,968	301,398	33,919	656,285
Fund balances beginning of year	939,838	1,203,364	230,008	2,373,210
Fund balances end of year	1,260,806	1,504,762	263,927	3,029,495

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2014

	\$	\$
<b>Change in fund balances - total governmental funds (Exhibit E)</b>		656,285
<b><i>Amounts reported for governmental activities in the Statement of Activities are different because:</i></b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:		
Expenditures for capital assets	403,471	
Depreciation expense	<u>(434,699)</u>	(31,228)
Income surtaxes and other revenues not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		38,123
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		83,948
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		2,435
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	107,335	
Compensated absences	(7,783)	
Other postemployment benefits	<u>(25,783)</u>	73,769
An internal service fund is used by the District's management to charge the costs of the health insurance premiums and health insurance deductible reimbursements to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>104,747</u>
<b>Changes in net position of governmental activities (Exhibit B)</b>		<u><u>928,079</u></u>



## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Position  
Proprietary Funds

June 30, 2014

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	31,325	232,608
Accounts receivable	10,128	19,757
Inventories	174,876	-
Total current assets	216,329	252,365
Noncurrent assets:		
Capital assets, net of accumulated depreciation	33,859	-
<b>Total assets</b>	250,188	252,365
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	11,993	115,281
Interfund payables	15,000	-
Bank loan payable	20,000	-
Deferred revenue	734	-
Total current liabilities	47,727	115,281
Noncurrent liabilities:		
Net OPEB liability	2,182	-
<b>Total liabilities</b>	49,909	115,281
<b>Net position</b>		
Investment in capital assets	33,859	-
Unrestricted	166,420	137,084
<b>Total net position</b>	200,279	137,084

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds

Year ended June 30, 2014

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Operating revenue:		
Local sources:		
Charges for service	<u>274,611</u>	<u>1,416,974</u>
Operating expenses:		
Non-instructional programs:		
Salaries	179,700	-
Benefits	30,099	1,312,227
Supplies	269,558	-
Depreciation	<u>5,306</u>	<u>-</u>
Total operating expenses	<u>484,663</u>	<u>1,312,227</u>
Operating income (loss)	<u>(210,052)</u>	<u>104,747</u>
Non-operating revenues:		
State sources	3,658	-
Federal sources	187,201	-
Interest income	<u>63</u>	<u>-</u>
Total non-operating revenues	<u>190,922</u>	<u>-</u>
Gain (loss) before transfers	(19,130)	104,747
Transfers in (out)	<u>(9,382)</u>	<u>-</u>
Change in net position	(28,512)	104,747
Net position beginning of year	<u>228,791</u>	<u>32,337</u>
Net position end of year	<u><u>200,279</u></u>	<u><u>137,084</u></u>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2014

	Enterprise Funds	Governmental Activities - Internal Service Fund
	Nonmajor Enterprise Funds	
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	267,350	-
Cash payments from services to other funds	-	1,416,974
Cash paid to employees for services	(209,154)	(1,437,421)
Cash paid to suppliers for goods or services	(390,123)	-
Net cash used by operating activities	<u>(331,927)</u>	<u>(20,447)</u>
Cash flows from non-capital financing activities:		
Loan from (repaid to) General Fund	15,000	-
State grants received	3,658	-
Federal grants received	155,176	-
Net cash provided by non-capital financing activities	<u>173,834</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Transfers (to) from General Fund	(9,382)	-
Proceeds from (repayment of) bank loan	20,000	-
Acquisition of capital assets	(2,015)	-
Net cash provided by capital and related financing activities	<u>8,603</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	63	-
Net increase (decrease) in cash and cash equivalents	(149,427)	(20,447)
Cash and cash equivalents at beginning of year	180,752	253,055
Cash and cash equivalents at end of year	<u>31,325</u>	<u>232,608</u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>		
Operating income (loss)	(210,052)	104,747
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	32,025	-
Depreciation	5,306	-
Decrease (increase) in inventories	(157,872)	-
Decrease (increase) in accounts receivable	(321)	(10,672)
(Decrease) increase in accounts payable	5,282	(114,522)
(Decrease) increase in deferred revenue	(6,940)	-
(Decrease) increase in other postemployment benefits	645	-
Net cash used by operating activities	<u>(331,927)</u>	<u>(20,447)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2014, the District received \$32,025 of federal commodities.

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2014

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	17,456
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Reserved for scholarships	<u><u>17,456</u></u>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Year ended June 30, 2014

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	8,750
Interest	21
Total additions	<u>8,771</u>
Deductions:	
Support services:	
Scholarships awarded	<u>4,250</u>
Change in net position	4,521
Net position beginning of year	<u>12,935</u>
Net position end of year	<u><u>17,456</u></u>

# GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

### 1. Summary of Significant Accounting Policies

Garner-Hayfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Garner and Hayfield, Iowa and the predominately agricultural territory in a portion of Hancock County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Garner-Hayfield Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) The potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

The Garner-Hayfield Community School District Education Foundation has been included in the financial statements as required by Chapters 11.6 and 279.62 of the Code of Iowa. It is included as a discretely presented component unit. The Garner-Hayfield Community School District Education Foundation was established, by the District, for charitable, educational, and scientific purposes which benefit the Garner-Hayfield Community School District. Foundation financial statements are shown in the Statement of Net Position and the Statement of Activities in separate columns.

Also, the All Sports Booster Club was established by the District during fiscal year 2007 under Chapter 279.62 of the Code of Iowa. As required by Chapter 11.6 of the Code of Iowa, the booster club has been audited as part of the District's annual audit and is blended as part of the Nonmajor Student Activity Fund.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities,

which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's had two proprietary enterprise funds during the year ended June 30, 2014. The School Nutrition Fund is used to account for the food service operations of the District. The Student Construction Fund is used to account for the proceeds from the sale of and the costs of the construction of a house.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's health insurance plan premiums and medical deductible reimbursement plan.

The District also reports fiduciary funds, which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:



Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued the lower of cost or market, using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	3,000
Improvements other than buildings	3,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Intangibles	3-10 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for vacation and sick leave time that has been used. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources . Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

## E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the instruction and support services expenditures functional areas exceeded the amounts budgeted.

## 2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$25,954 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

## 3. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Debt Service	Capital Projects Fund	88,887

The transfers moved revenues from the fund statutorily required to collect the resources to the funds statutorily required to expend the resources.

## 4. **Capital Assets**

Capital assets activity for the year ended June 30, 2014 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	48,803	-	-	48,803
Construction in progress	9,400	-	9,400	-
Total capital assets not being depr.	58,203	-	9,400	48,803
Capital assets being depreciated:				
Buildings	8,182,471	345,778	-	8,528,249
Improvements other than buildings	811,768	6,018	-	817,786
Furniture and equipment	1,938,015	61,075	-	1,999,090
Total capital assets being deprec.	10,932,254	412,871	-	11,345,125

Less accumulated depreciation for:				
Buildings	3,567,548	239,694	-	3,807,242
Improvements other than buildings	349,920	40,397	-	390,317
Furniture and equipment	1,305,791	154,608	-	1,460,399
Total accumulated depreciation	<u>5,223,259</u>	<u>434,699</u>	<u>-</u>	<u>5,657,958</u>
Total capital assets being depreciated, net	<u>5,708,995</u>	<u>(21,828)</u>	<u>-</u>	<u>5,687,167</u>
Governmental activities capital assets, net	<u>5,767,198</u>	<u>(21,828)</u>	<u>9,400</u>	<u>5,735,970</u>
<b>Business type activities:</b>				
Furniture and equipment	181,951	2,015	-	183,966
Less accumulated depreciation	<u>144,801</u>	<u>5,306</u>	<u>-</u>	<u>150,107</u>
Business type activities capital assets, net	<u>37,150</u>	<u>(3,291)</u>	<u>-</u>	<u>33,859</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	109,488
Support services:	
Student support	5,793
Administration	6,855
Operation and maintenance of plant services	6,560
Transportation	<u>25,912</u>
	154,608
Unallocated depreciation	<u>280,091</u>
Total depreciation expense . governmental activities	<u>434,699</u>
Business type activities:	
Food services	<u>5,306</u>

## 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Capital lease	170,330	-	83,948	86,382	86,382
Termination benefits	314,605	-	107,335	207,270	59,060
Compensated absences	169,038	32,783	25,000	176,821	25,000
Net OPEB liability	<u>61,463</u>	<u>25,783</u>	<u>-</u>	<u>87,246</u>	<u>-</u>
Total	<u>715,436</u>	<u>58,566</u>	<u>216,283</u>	<u>557,719</u>	<u>170,442</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	1,537	645	-	2,182	-

#### Termination Benefits

The District offered a voluntary early retirement plan to its employees in fiscal year 2012 and in several prior years. Eligible employees must be at least age fifty-five on or before July 1, in the calendar year in which early retirement commenced and must have 10 years of consecutive service.

Fiscal year 2012 early retirement benefits consist of the school paying up to \$40,000 of health insurance premiums per retiree.

At June 30, 2014, the District has obligations to 11 participants with a total liability of \$207,270. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$107,335.

#### Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2014.

	Year Ending June 30,	Amount
		\$
	2015	88,888
Less Amount Representing Interest		2,506
Present Value of Minimum Lease Payments		86,382

### **6. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$453,060, \$405,110 and \$368,289 respectively, equal to the required contributions for each year.

### **7. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 82 active and 19 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	270,000
Interest on net OPEB obligation	2,835
Adjustment to annual required contribution	2,407
Annual OPEB cost	270,428
Contributions made	244,000
Increase in net OPEB obligation	26,428
Net OPEB obligation beginning of year	63,000
Net OPEB obligation end of year	89,428

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$244,000 to the medical plan. Plan members eligible for benefits contributed \$52,240, or 30% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	248,000	93%	18,000
2011	248,124	93%	36,124
2012	248,248	115%	-
2013	270,000	77%	63,000
2014	270,428	90%	89,428

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$2,591,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,591,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,244,000, and the ratio of the UAAL to covered payroll was 61.1%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$9,874 per capita for individuals age 60. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **8. Risk Management**

Garner-Hayfield Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$322,847 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **10. Construction and other Commitments**

The District has entered into a \$92,840 contract for roof repairs. As of June 30, 2014 no costs had been incurred against the contract. The balances remaining at June 30, 2014 will be paid as work on the project progresses.

## 11. Lease Commitment

The District entered into a contract to lease copiers in fiscal year 2013. The payments the District will make over the next two years are as follows:

Year Ended June 30	Lease Payment
	\$
2015	10,512
2016	1,752

## 12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
	\$
Preschool	195,547
Mentoring	2,041
Gifted and talented	3,453
Returning dropout and dropout prevention program	10,682
Teacher salary supplement	34,837
Model core curriculum	4,000
Core curriculum	74,813
Teacher leadership	7,912
Early readers	13,397
Early intervention	3,339
	<u>350,021</u>

## 13. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and financial reporting for Pensions . an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan



## REQUIRED SUPPLEMENTARY INFORMATION

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2014

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original \$	Final \$	\$
Revenues:						
Local sources	5,435,744	274,674	5,710,418	5,370,165	5,370,165	340,253
State sources	5,848,941	3,658	5,852,599	4,984,314	4,984,314	868,285
Federal sources	324,223	187,201	511,424	440,000	440,000	71,424
Total revenues	<u>11,608,908</u>	<u>465,533</u>	<u>12,074,441</u>	<u>10,794,479</u>	<u>10,794,479</u>	<u>1,279,962</u>
Expenditures/Expenses:						
Instruction	7,345,292	-	7,345,292	6,434,500	6,434,500	(910,792)
Support services	2,732,188	-	2,732,188	2,469,280	2,469,280	(262,908)
Non-instructional programs	-	484,663	484,663	855,000	855,000	370,337
Other expenditures	887,238	-	887,238	1,814,407	1,814,407	927,169
Total expenditures/expenses	<u>10,964,718</u>	<u>484,663</u>	<u>11,449,381</u>	<u>11,573,187</u>	<u>11,573,187</u>	<u>123,806</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	644,190	(19,130)	625,060	(778,708)	(778,708)	1,403,768
Other financing sources (uses) net	<u>12,095</u>	<u>(9,382)</u>	<u>2,713</u>	<u>-</u>	<u>-</u>	<u>2,713</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	656,285	(28,512)	627,773	(778,708)	(778,708)	1,406,481
Balance beginning of year	<u>2,373,210</u>	<u>228,791</u>	<u>2,602,001</u>	<u>2,485,000</u>	<u>2,485,000</u>	<u>117,001</u>
Balance end of year	<u><u>3,029,495</u></u>	<u><u>200,279</u></u>	<u><u>3,229,774</u></u>	<u><u>1,706,292</u></u>	<u><u>1,706,292</u></u>	<u><u>1,523,482</u></u>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust, Agency Funds and blended component units. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures in the instructional and support services functions exceeded the amounts budgeted.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a ) \$	Actuarial Accrued Liability (AAL) ( b ) \$	Unfunded AAL (UAAL) ( b-a ) \$	Funded Ratio ( a/b ) %	Covered Payroll ( c ) \$	UAAL as a Percentage of Covered Payroll ( (b-a)/c ) %
2010	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,574,000	80.0%
2011	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,834,000	74.6%
2012	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,916,000	73.0%
2013	July 1, 2012	-	2,591,000	2,591,000	0.0%	3,885,000	66.7%
2014	July 1, 2012	-	2,591,000	2,591,000	0.0%	4,244,000	61.1%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## SUPPLEMENTARY INFORMATION

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2014

Assets	Special Revenue Funds				Total
	Management	Student	District	Debt	
	Levy	Activity	Support	Service	
	\$	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	121,744	107,914	5,399	8,456	243,513
Receivables:					
Property tax:					
Delinquent	1,833	-	-	-	1,833
Succeeding year	250,000	-	-	-	250,000
Accounts	-	29,769	-	-	29,769
<b>Total assets</b>	<b>373,577</b>	<b>137,683</b>	<b>5,399</b>	<b>8,456</b>	<b>525,115</b>
<b>Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	250	10,938	-	-	11,188
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	250,000	-	-	-	250,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	8,456	8,456
Management levy	123,327	-	-	-	123,327
Student activities	-	126,745	5,399	-	132,144
Total fund balances	123,327	126,745	5,399	8,456	263,927
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>373,577</b>	<b>137,683</b>	<b>5,399</b>	<b>8,456</b>	<b>525,115</b>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue Funds				Total
	Management	Student	District	Debt	
	Levy	Activity	Support	Service	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	225,811	-	-	-	225,811
Other	5,133	401,694	1,948	33	408,808
State sources	126	-	-	-	126
Total revenues	<u>231,070</u>	<u>401,694</u>	<u>1,948</u>	<u>33</u>	<u>634,745</u>
Expenditures:					
Current:					
Instruction:					
Regular	107,722	-	2,359	-	110,081
Other	-	392,993	-	-	392,993
Support services:					
Administration	13,629	-	-	-	13,629
Operation and maintenance of plant	66,773	-	-	-	66,773
Transportation	17,350	-	-	-	17,350
Other expenditures:					
Long-term debt:					
Principal	-	-	-	83,948	83,948
Interest and fiscal charges	-	-	-	4,939	4,939
Total expenditures	<u>205,474</u>	<u>392,993</u>	<u>2,359</u>	<u>88,887</u>	<u>689,713</u>
Excess (deficiency) of revenues over (under) expenditures	25,596	8,701	(411)	(88,854)	(54,968)
Other financing sources (uses):					
Operating transfers in	-	-	-	88,887	88,887
Change in fund balance	25,596	8,701	(411)	33	33,919
Fund balances beginning of year	<u>97,731</u>	<u>118,044</u>	<u>5,810</u>	<u>8,423</u>	<u>230,008</u>
Fund balances end of year	<u>123,327</u>	<u>126,745</u>	<u>5,399</u>	<u>8,456</u>	<u>263,927</u>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position  
Nonmajor Enterprise Funds

June 30, 2014

	Enterprise Funds		
	School Nutrition	Student Construction	Total
	\$	\$	\$
<b>Assets</b>			
Cash, cash equivalents and pooled investments	14,238	17,087	31,325
Accounts receivable	10,128	-	10,128
Inventories	14,554	160,322	174,876
Capital assets, net of accumulated depreciation	33,859	-	33,859
<b>Total assets</b>	<b>72,779</b>	<b>177,409</b>	<b>250,188</b>
<b>Liabilities</b>			
Accounts payable	1,237	10,756	11,993
Interfund payables	15,000	-	15,000
Bank loan payable	-	20,000	20,000
Deferred revenue	734	-	734
Net OPEB liability	2,182	-	2,182
<b>Total liabilities</b>	<b>19,153</b>	<b>30,756</b>	<b>49,909</b>
<b>Net position</b>			
Investment in capital assets	33,859	-	33,859
Unrestricted	19,767	146,653	166,420
<b>Total net position</b>	<b>53,626</b>	<b>146,653</b>	<b>200,279</b>



## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position  
Nonmajor Enterprise Funds

Year ended June 30, 2014

	Enterprise Funds		
	School Nutrition	Student Construction	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	274,611	-	274,611
Operating expenses:			
Non-instructional programs:			
Salaries	179,700	-	179,700
Benefits	30,099	-	30,099
Supplies	269,558	-	269,558
Depreciation	5,306	-	5,306
Total operating expenses	484,663	-	484,663
Operating income (loss)	(210,052)	-	(210,052)
Non-operating revenues:			
State sources	3,658	-	3,658
Federal sources	187,201	-	187,201
Interest income	63	-	63
Total non-operating revenues	190,922	-	190,922
Gain (loss) before transfers	(19,130)	-	(19,130)
Transfers in (out)	-	(9,382)	(9,382)
Change in net position	(19,130)	(9,382)	(28,512)
Net position beginning of year	72,756	156,035	228,791
Net position end of year	53,626	146,653	200,279

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2014

	Enterprise Funds		
	School Nutrition	Student Construction	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	267,350	-	267,350
Cash paid to employees for services	(209,154)	-	(209,154)
Cash paid to suppliers for goods or services	(236,417)	(153,706)	(390,123)
Net cash used by operating activities	(178,221)	(153,706)	(331,927)
Cash flows from non-capital financing activities:			
Loan from (repaid to) General Fund	15,000	-	15,000
State grants received	3,658	-	3,658
Federal grants received	155,176	-	155,176
Net cash provided by non-capital financing activities	173,834	-	173,834
Cash flows from capital and related financing activities:			
Transfers (to) from General Fund	-	(9,382)	(9,382)
Proceeds from (repayment of) bank loan	-	20,000	20,000
Acquisition of capital assets	(2,015)	-	(2,015)
Net cash (used) provided by capital and related financing activities	(2,015)	10,618	8,603
Cash flows from investing activities:			
Interest on investments	63	-	63
Net increase (decrease) in cash and cash equivalents	(6,339)	(143,088)	(149,427)
Cash and cash equivalents at beginning of year	20,577	160,175	180,752
Cash and cash equivalents at end of year	14,238	17,087	31,325
<b>Reconciliation of operating income (loss) to net cash (used) provided by operating activities:</b>			
Operating income (loss)	(210,052)	-	(210,052)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	32,025	-	32,025
Depreciation	5,306	-	5,306
Decrease (increase) in inventories	(50)	(157,822)	(157,872)
Decrease (increase) in accounts receivable	(321)	-	(321)
(Decrease) increase in accounts payable	1,166	4,116	5,282
(Decrease) increase in deferred revenue	(6,940)	-	(6,940)
(Decrease) increase in other postemployment benefits	645	-	645
Net cash used by operating activities	(178,221)	(153,706)	(331,927)

See accompanying independent auditor's report.

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combing Balance Sheet  
Capital Project Accounts

June 30, 2014

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	1,251,588	76,376	1,327,964
Receivables:			
Property tax:			
Delinquent	-	1,063	1,063
Succeeding year	-	107,991	107,991
Due from other governments	175,735	99,558	275,293
<b>Total assets</b>	<b>1,427,323</b>	<b>284,988</b>	<b>1,712,311</b>
<b>Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>			
Liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	107,991	107,991
Income surtax	-	99,558	99,558
Total deferred inflows of resources	-	207,549	207,549
Fund balances:			
Restricted for:			
School infrastructure	1,427,323	-	1,427,323
Physical plant and equipment	-	77,439	77,439
Total fund balances	1,427,323	77,439	1,504,762
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>1,427,323</b>	<b>284,988</b>	<b>1,712,311</b>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Accounts

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	254,797	254,797
Other	4,612	3,641	8,253
State sources	685,151	65	685,216
Total revenues	<u>689,763</u>	<u>258,503</u>	<u>948,266</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	82,477	82,477
Other expenditures:			
Facilities acquisition	309,111	166,393	475,504
Total expenditures	<u>309,111</u>	<u>248,870</u>	<u>557,981</u>
Excess (deficiency) of revenues over (under) expenditures	<u>380,652</u>	<u>9,633</u>	<u>390,285</u>
Other financing sources (uses):			
Operating transfers out	<u>(88,887)</u>	<u>-</u>	<u>(88,887)</u>
Change in fund balance	291,765	9,633	301,398
Fund balances beginning of year	<u>1,135,558</u>	<u>67,806</u>	<u>1,203,364</u>
Fund balance end of year	<u><u>1,427,323</u></u>	<u><u>77,439</u></u>	<u><u>1,504,762</u></u>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Athletics	(25,605)	92,275	76,001	(2,088)	(11,419)
Athletic towel service	503	6,297	740	-	6,060
Fellowship of Christian athl.	24	-	-	-	24
HS boys track	782	2,268	1,868	-	1,182
HS girls golf	159	1,535	1,760	-	(66)
HS wrestling	623	1,468	396	-	1,695
Girls basketball	4,622	6,686	11,270	-	38
HS boys basketball	181	6,124	5,879	-	426
Girls volleyball	243	6,175	5,620	-	798
Football	1,527	1,444	1,864	-	1,107
Girls track	711	2,513	2,264	-	960
HS baseball	(88)	3,500	5,871	1,550	(909)
HS boys golf	(77)	625	570	-	(22)
Softball	715	4,826	2,021	-	3,520
Cross country	121	2,091	2,919	688	(19)
Weight room	91	3,000	1,872	-	1,219
Middle school athletics	1,551	-	-	-	1,551
Athletic uniforms	(3,113)	12,192	11,485	-	(2,406)
Coach's apparel	(37)	1,900	1,552	(150)	161
MS coach's apparel	171	-	-	-	171
Soccer	(298)	5,754	5,436	-	20
Cheerleading fund	2,989	4,849	2,973	-	4,865
Pep club	650	-	-	-	650
Student council	4,842	3,217	3,970	-	4,089
Jr. Hi. student council	1,838	6,877	4,825	-	3,890
Curtain club	5	-	-	-	5
Peer helper association	134	980	1,110	-	4
Que pasa	877	4,440	4,440	-	877
Class of 2004	920	-	-	-	920
Class of 2007	255	-	-	-	255
Class of 2008	101	-	-	-	101
Class of 2010	260	-	-	-	260
Class of 2012	1,510	(1,315)	30	-	165
Class of 2013	4,665	40	1,985	-	2,720
Class of 2014	4,550	5,655	2,173	(492)	7,540
Class of 2015	710	4,564	4,138	492	1,628
Class of 2016	-	2,400	-	-	2,400
Investments	11,438	40	-	-	11,478
N.O.W. interest	14,211	588	-	-	14,799
Art resale	78	-	-	-	78

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
FFA	13,920	42,509	42,927	-	13,502
FCCLA	2,021	1,043	997	-	2,067
National Honor Society	317	1,609	1,311	-	615
Retail marketing	685	-	-	-	685
NCIBA honor band	16	-	-	-	16
Band trip	585	-	-	-	585
Flag & rifle	887	2,725	3,000	-	612
HS solo & ensemble contest	1,933	-	-	-	1,933
Jr. Hi. solo & ens. contest	(96)	-	-	-	(96)
Impulse dance club	178	5,536	5,422	-	292
Annual	1,035	6,122	4,168	-	2,989
MS annual	34	-	-	-	34
HS concessions	1,097	2,777	2,185	-	1,689
K-8 concessions	638	2,691	2,166	-	1,163
Speech & drama	9,579	5,116	2,622	-	12,073
Musical productions	4,049	-	-	-	4,049
PSAT testing	141	806	838	-	109
Video yearbook	698	-	-	-	698
Sports Boosters Blended Component Unit	15,179	151,044	162,139	-	4,084
June 30, 2013 accruals	32,309	(34,360)	(2,051)	-	-
June 30, 2014 accruals	-	21,068	2,237	-	18,831
Total	118,044	401,694	392,993	-	126,745

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,961,798	3,325,818	3,120,687	3,410,793	3,156,335	2,916,015	3,136,980	2,932,241	2,650,276	2,412,741
Tuition	1,350,862	1,334,550	811,293	629,391	507,394	514,318	541,096	559,543	466,075	523,800
Other	1,123,084	1,037,888	707,269	702,575	558,589	756,176	588,427	503,640	443,198	349,782
State sources	5,848,941	4,442,345	4,458,924	3,942,013	3,484,311	4,037,150	4,026,531	3,681,329	3,646,422	3,579,099
Federal sources	324,223	264,037	311,119	511,337	726,769	183,449	178,780	198,829	173,573	116,954
Total revenues	<u>11,608,908</u>	<u>10,404,638</u>	<u>9,409,292</u>	<u>9,196,109</u>	<u>8,433,398</u>	<u>8,407,108</u>	<u>8,471,814</u>	<u>7,875,582</u>	<u>7,379,544</u>	<u>6,982,376</u>
Expenditures:										
Instruction:										
Regular	4,574,835	4,232,057	3,501,592	3,443,140	3,140,202	3,316,379	3,155,814	2,967,579	2,849,038	3,067,644
Special	1,169,467	1,132,747	852,786	923,119	793,146	927,512	906,536	786,133	809,777	769,429
Other	1,600,990	1,609,558	1,456,049	1,411,726	1,232,549	1,104,618	1,122,800	1,003,514	903,305	782,127
Support services:										
Student	479,630	398,405	461,197	380,744	357,455	401,811	284,844	272,471	246,198	116,368
Instructional staff	315,803	238,459	506,661	109,069	101,943	143,993	113,639	88,734	86,194	63,959
Administration	814,284	777,048	771,232	658,468	614,114	678,584	645,190	811,925	728,692	662,677
Operation and maintenance	816,460	746,453	665,560	700,890	685,471	647,492	663,853	625,808	710,105	708,915
Transportation	306,011	348,249	234,016	282,548	220,630	181,881	206,869	234,521	172,865	181,687
Other expenditures:										
Facilities acquisition	475,504	444,136	491,988	444,831	666,399	399,762	600,991	204,914	173,524	321,837
Long-term debt:										
Principal	83,948	81,582	88,887	272,468	260,239	249,984	243,741	333,089	324,565	289,992
Interest and other charges	4,939	7,305	-	12,682	24,176	33,231	41,672	52,874	63,180	67,942
AEA flowthrough	322,847	299,391	305,633	325,748	316,862	271,295	266,662	248,462	238,664	230,357
Total expenditures	<u>10,964,718</u>	<u>10,315,390</u>	<u>9,335,601</u>	<u>8,965,433</u>	<u>8,413,186</u>	<u>8,356,542</u>	<u>8,252,611</u>	<u>7,630,024</u>	<u>7,306,107</u>	<u>7,262,934</u>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Direct:			
U.S. Department of Health and Human Services:			
Drug Free Communities Support Program Grants	93.276	FY14	<u>49,911</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY14	18,724
National School Lunch Program (non-cash)	10.555	FY14	32,025
National School Lunch Program	10.555	FY14	<u>136,452</u>
			<u>187,201</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY14	74,776
Title I Grants to Local Educational Agencies (carryover)	84.010	FY14	<u>4,033</u>
			<u>78,809</u>
Improving Teacher Quality State Grants	84.367	FY14	<u>13,999</u>
Grants for State Assessments and Related Activities	84.369	FY14	<u>4,532</u>
Safe Schools/Healthy Students Grants	84.184	FY14	<u>115,990</u>
Area Education Agency #267:			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	FY14	36,383
Special Education - Grants to States (High Cost Claim)	84.027	FY14	<u>17,026</u>
			<u>53,409</u>
Mason City Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY14	<u>7,574</u>
Subtotal Indirect			<u>461,514</u>
Total			<u><u>511,425</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Garner-Hayfield Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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Independent Auditor's Report on Internal Control  
Over Financial Reporting and on compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Garner-Hayfield Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Garner-Hayfield Community School District and of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Garner-Hayfield Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Garner-Hayfield Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Garner-Hayfield Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 14-II-A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garner-Hayfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Finding and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Garner-Hayfield Community School District's Responses to the Findings

Garner-Hayfield Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Garner-Hayfield Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Garner-Hayfield Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

March 31, 2015

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Independent Auditor's Report on Compliance  
for Each Major Federal Program, on Internal Control over Compliance  
Required by OMB Circular A-133

To the Board of Education of  
Garner-Hayfield Community School District:

Report on Compliance for Each Major Federal Program

We have audited Garner-Hayfield Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Garner-Hayfield Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Garner-Hayfield Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Garner-Hayfield Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Garner-Hayfield Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Garner-Hayfield Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Garner-Hayfield Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Garner-Hayfield Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on

each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Garner-Hayfield Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 14-II-A to be a material weakness.

Garner-Hayfield Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Garner-Hayfield Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

March 31, 2015

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Child Nutrition Cluster
    - CFDA Number 10.553 . School Breakfast Program \$ 18,724
    - CFDA Number 10.555 . National School Lunch Program \$ 136,452
    - CFDA Number 10.555 . Food Donation Program \$ 32,025
  - Title I CFDA Number 84.010 . Title I Grants to local education agencies \$78,809
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Garner-Hayfield Community School District did not qualify as a low-risk auditee.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2014

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

- 14-II-A      Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

- 14-II-B      Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2014

Part II: Findings Related to the Financial Statements (continued):

14-II-C      Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, the other co-signer of the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

No matters were reported.



GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

- 14-IV-A Certified Budget: Expenditures for the year ended June 30, 2014, exceeded the certified budget amount budgeted in the instruction and student support functions.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures exceeded the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

- 14-IV-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- 14-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- 14-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>
David Zrostlik, school board member and board member of local bank	School banking

Recommendation: The District should consult with its attorney before entering into any banking agreements with the above banks.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

- 14-IV-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- 14-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

- 14-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

- 14-IV-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

# GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

June 30, 2014

### Part IV: Other Findings Related to Required Statutory Reporting (continued):

- 14-IV-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 14-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 14-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 14-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		1,135,558
Revenues:		
Statewide sales, services and use tax revenue	685,151	
Other	4,612	689,763
Expenditures:		
Facilities	309,111	
Transfer to Debt service fund	88,887	397,998
Ending balance		<u>1,427,323</u>

- 14-VI-M Deficit Balances: The Activity fund has a few accounts with deficit balances at June 30, 2014.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

District Response: We are working on ways to eliminate the deficit.

Conclusion: Response accepted.